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6 February 1958

CURRENT INTELLIGENCE WEEKLY SUMMARY

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CURRENT INTELLIGENCE WEEKLY SUMMARY

6 February 1958

THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

USSR ATTEMPTS TO ISOLATE US ON SUMMIT MEETING ISSUE . . . Page 1

The Soviet Union is making a persistent bid to isolate the United States on the issue of a summit meeting and to convince world public opinion that American "intransigence" is the only obstacle to heads-of-government talks. Soviet leaders do not appear seriously interested in substantive negotiations on major points of difference with the West at this time, but probably believe Western rejection of talks on Soviet terms would eventually bring some Western European governments, acting under strong popular pressure, to seek independent accommodations with Moscow. The main objective of the Kremlin leaders at a summit meeting probably would be to secure a generalized statement on East-West relations or an "implicit understanding" which they could claim represents Western recognition of the status quo in Eastern Europe.

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EGYPTIAN-SYRIAN UNION PROCLAMATION Page 3

The announcement of Egyptian-Syrian union as the "United Arab Republic" has caused a strong reaction

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Yemen, however, is seeking some form of federation with the union. The Israelis are reacting with more determined and forceful assertions of their sovereignty over the Israeli-Syrian demilitarized zones.

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BULGANIN'S POLITICAL POSITION IN DOUBT Page 4

Premier Bulganin's position is in doubt, judging from the manner in which his nomination for election to the Supreme Soviet is being handled in the Soviet press. If Bulganin is removed from the premiership, Anastas Mikoyan, Frol Kozlov, and Khrushchev himself can be counted among possible successors. A "resignation for reasons of health" would provide a device least likely to destroy the diplomatic effectiveness of his recent letters.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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PART I (continued)

INDONESIA Page 6

Establishment of a rival Indonesian government appears to be imminent. Lt. Col. Hussein, head of the Banteng Council in Central Sumatra, made a lengthy speech of justification on 6 February. Such a government would probably seek to undermine the Djakarta government by subversion and economic sanctions. The new regime would face problems in maintaining unity among its members and would have to cope with retaliation by Djakarta, which would include economic measures, subversive action, and, as a last resort, perhaps military attack.

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PART II

NOTES AND COMMENTS

ANTI-WESTERN TREND IN YEMEN Page 1

The anti-Western trend in Yemen will probably accelerate now that Crown Prince Badr, principal advocate of Sino-Soviet bloc aid, has returned from Eastern Europe, Moscow, and Peiping with new diplomatic, aid, and trade agreements. Following Badr's return, Yemen apparently accepted a five-year economic development loan which the USSR valued at \$35,000,000. The Yemeni Government, meanwhile, thwarted a new conspiracy by northern tribesmen against the Imam on 22 January. The government, by alleging the plot was British-supported, has exploited it to reduce Western influence further.

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SPAIN PREPARES MILITARY CAMPAIGN IN WEST AFRICA Page 2

Spain may soon initiate a military offensive against irregular Moroccan Army of Liberation concentrations which have been in control of much if not most of Spain's West African territories since early December. France will probably lend some tangible support, but the precise extent of its commitments to the operation is unclear. While such an offensive may succeed in restoring temporarily some of Madrid's previous authority in the area, the irregulars' mobility and their skill in guerrilla warfare make a lasting military victory over them unlikely.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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PART II (continued)

CYPRUS Page 4

Recent events regarding Cyprus may make it extremely difficult for Britain to prevent a serious deterioration of relations with either Athens or Ankara. Following Turkey's rejection of British proposals for the island's future, Governor Foot has suggested that he visit Athens in an attempt to reach an accord with the Greek Government and Makarios on interim measures

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[redacted]
some hope that the ethnarchy can restrain the underground organization. Meanwhile, a Turkish Cypriot leader has warned that Turkey may intervene directly if necessary to ensure partition of the island.

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FOREIGN POLICY DIFFERENCES IN ISRAEL Page 4

The Israelis regard union of Egypt and Syria as increasing the Arab threat to their security. In this context, the nature of Israel's relationship with the West--the basic issue which provoked Israel's recent government crisis--very likely will take on renewed significance as a subject of political controversy.

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HIGHLIGHTS OF BAGHDAD PACT MINISTERIAL COUNCIL MEETING . . Page 5

At the meeting of the Baghdad Pact Ministerial Council in Ankara from 27 to 30 January, a number of controversial issues were raised, including the Israeli, Algerian, and Kashmir problems. Only Iraq's demand that Israel's borders be readjusted to those specified in the 1947 UN resolution threatened to cause a crisis. The USSR and other states opposing the pact kept up a continuous antagonistic propaganda campaign during the meeting.

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WORLD REACTION TO THE US EXPLORER Page 7

Soviet comment to date on the successful launching of the first American earth satellite has acknowledged the peaceful scientific value of "Explorer," while stressing the continued Soviet lead in rocketry. Elsewhere in the Sino-Soviet bloc, comment has been deprecating, except in Poland, where the launching drew words of high praise. The event was hailed throughout the free world as a great contribution to world science, and with expressions of hope that it will lead to better East-West relations.

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PART II (continued)

SOVIET ECONOMIC DEVELOPMENT IN 1957 Page 9

The growth rate of the USSR's industrial production in 1957 was well above that of the United States and well above plan, although slightly below the 1956 level. The housing plan, which was ambitious, was overfulfilled for the first time in Soviet history, reflecting a shift in investment allocations in favor of the consumer. The nonfulfillment of production and investment goals in some important industries, however, indicates that the attempt to push the housing, agricultural, defense, and heavy industry programs simultaneously continues to run into the problem of competing priorities.

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KHRUSHCHEV DOMINATES PAGES OF SOVIET PRESS Page 10

Only two years after his denunciation of the Stalin cult, Khrushchev has himself taken over a special niche in the Soviet press. Although he is not treated to the kind of adulation Stalin enjoyed in his later years, there are some signs that a new "cult of personality" is forming.

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MIKHAIL A. MENSHEIKOV--NEW SOVIET AMBASSADOR TO THE US . . Page 11

Mikhail A. Menshikov, former Soviet ambassador to India, arrived in the United States on 6 February to assume his new post as ambassador. A latecomer to the diplomatic corps, Menshikov is a foreign trade specialist and is known for his work with the UN Relief and Rehabilitation Administration. His major aim in Washington will probably be to stress the need for improved Soviet-American relations through contacts between top leaders.

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COLLECTIVIZATION IN RUMANIA Page 13

The Rumanian regime has stepped up its campaign to force landowning peasants and agricultural cooperatives into collective farms, in a return to its policy for 100-percent collectivization which was temporarily suspended following the Hungarian revolt. The present effort is concentrated on regions east of Bucharest-- Constanta, Iasi, and Galati. Thus far about 45 percent of the total arable land in Rumania has been collectivized.

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PART II (continued)

HO CHI MINH'S VISIT TO INDIA AND BURMA Page 14

Ho Chi Minh's current state visit to India and Burma--his first trip outside the Communist bloc since 1946--is aimed at offsetting the favorable impression which South Vietnam's President Diem made on Indian officialdom during his tour of India last November. Ho will seek to halt the decline of North Vietnam's prestige in Burma which began during the last year and will probably attempt to get a strong statement from Nehru on the necessity of maintaining the International Control Commission, set up in Vietnam under the 1954 Geneva Agreements.

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BURMESE PREMIER REJECTS COMMUNIST METHODS Page 15

Prime Minister U Nu, in an important speech to his governing party, rejected Communist methods of building a socialist state and reiterated the party's commitment to a democratic socialism of the British Labor party variety. Nu's speech implied no change in Burma's neutral foreign policy.

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NEW JAPANESE BUDGET RAISES DEFENSE EXPENDITURES Page 16

The Japanese Government's national budget for the fiscal year beginning 1 April increases defense expenditures 19 percent over the previous year and contains a new appropriation for economic cooperation with Southeast Asia. Increased veterans' pensions are being attacked by the Socialists, but the budget will probably be approved by the Diet without major changes.

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CONTINUING TENSION IN CUBA Page 17

President Batista's efforts to create political peace in Cuba in preparation for the general elections on 1 June have produced little more than a surface calm. Revolutionary elements are stepping up their campaign of terror and have announced plans to sabotage industrial installations, including those owned by US interests, as well as sugar cane fields and tobacco warehouses. There are also new signs of plotting against Batista among the military, the principal bulwark of his regime.

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PART II (continued)

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PART III

PATTERNS AND PERSPECTIVES

SUDAN'S RELATIONS WITH THE SINO-SOVIET BLOC Page 1

Sudanese Premier Abdullah Khalil has managed to resist the diplomatic and trade approaches of the Sino-Soviet bloc. A Soviet offer of substantial economic aid and trade was shelved despite the objections of some members of the coalition government, and the recent rise in cotton sales makes it unlikely the offer will be reconsidered in the near future. The success of Communist efforts in the Sudan will be determined by the outcome of the parliamentary elections beginning late this month, the sale of Sudanese cotton, and the effects of Egyptian foreign policy on opinion in the Sudan. Khalil appears confident of his position and intends to stiffen his resistance to the Communist drive.

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PART III (continued)

THE SPANISH OPPOSITION Page 4

An initial step toward eventual replacement of the Franco regime has been taken in Spain, where Socialists, Christian Democrats, and other opposition groups now are agreed on restoring the monarchy. This movement, at present representing only a fraction of the population, poses no immediate threat to the regime. It is aiming, however, at a national resistance front which would be capable of organizing a successor government if continuing adverse economic conditions lead influential military, business, and church supporters of the regime to abandon Franco.

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PART I

OF IMMEDIATE INTEREST

USSR ATTEMPTS TO ISOLATE US ON SUMMIT MEETING ISSUE

The Soviet Union, in a display of diplomatic activity highlighted by Bulganin's response to President Eisenhower, is making a strong bid to isolate the United States and to convince world public opinion that American "intransigence" is the only obstacle to heads-of-government talks. The Soviet leaders do not appear seriously interested in substantive negotiations on major points of difference with the West at this time. However, they probably believe they would derive important political advantages either from Western rejection of a summit meeting on Soviet terms or from Western acceptance of summit talks preceded by a minimum of preparation limited to procedural details and with discussion based on those topics which Khrushchev has termed "ripe for agreement."

In the Soviet view, rejection would probably lead eventually to moves by some Western European governments in NATO, acting under strong public pressures, to seek independent accommodations with the USSR. On the other hand, the main objective of the Kremlin leaders at a summit meeting would be to secure a generalized statement on East-West relations or an "implicit understanding" which they could claim represents Western recognition of the status quo in Eastern Europe.

Bulganin's action in addressing his 2 February note only to President Eisenhower, in contrast to the two previous

series of letters which were sent simultaneously to all NATO heads of government and to all UN members, served to focus world attention on the Soviet-American dialogue on summit talks.

This letter attempted to create the impression that the President's 12 January letter was not responsive to previous Soviet proposals and that the United States is seeking to evade negotiations with the Soviet Union by posing unacceptable conditions. Bulganin repeated the standard Soviet position for refusing to discuss German reunification and the status of Eastern Europe, and suggested that in raising the subject of Eastern Europe, the United States had set itself up as "arbiter" of social and economic regimes throughout the world.

The Soviet premier followed the line set by party chief Khrushchev in his 22 January speech at Minsk in replying to President Eisenhower's proposal to use outer space only for peaceful purposes. Asserting that this issue must be solved as part of "the general problem of the prohibition of nuclear and rocket weapons," Bulganin stated the Soviet Union is willing to discuss the question of controlling intercontinental missiles, provided the Western powers are prepared to agree to the cessation of nuclear tests, the banning of nuclear weapons, and liquidation of foreign military bases.

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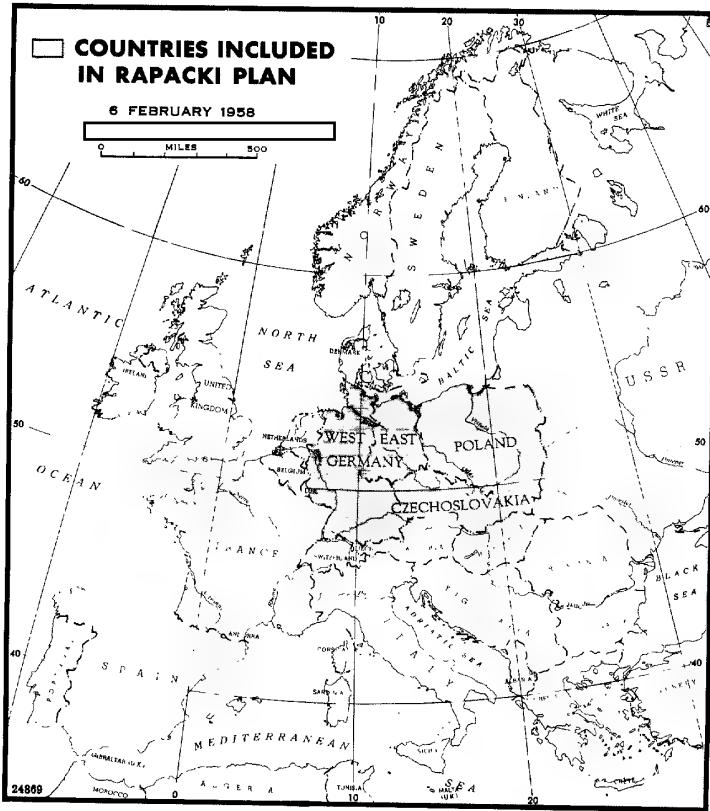
On the question of preparations for a summit meeting, Bulganin again rejected a foreign ministers' conference and repeated the charge in his 8 January letter that a conference on this level might create additional obstacles to a heads-of-government meeting. He contended that after agreement to a summit meeting is reached in principle, "procedural and other questions" could be solved "without special difficulties" through regular diplomatic channels.

During the past week Moscow has concentrated its efforts to exploit signs of Western disunity on the question of preparatory steps to be taken before a meeting on the heads-of-government level. Soviet Ambassador Malik told Acting British Prime Minister Butler on 28 January that the USSR is "elastic" on the composition and date for a summit conference. Khrushchev's statement to the London Times, published on 1 February, was designed to display Soviet flexibility on this point. He said the Soviet Union is willing to postpone the top-level meeting if the date of "within two or three months"--suggested to the West in Bulganin's January letters--is "too soon."

The failure of Bulganin's 2 February letter to provide any further details for a heads-of-government meeting reflects the Kremlin's confi-

dence that the United States will eventually be forced by its European allies, who are subject to strong popular pressures, into dropping its insistence on adequate preparatory work by a foreign ministers' conference as well as through diplomatic channels.

The Kremlin appears, however, to have left a door open in event the bid for summit talks with a minimum of preparations fails. Khrushchev's observation in his 22 January Minsk speech that the French reply to Bulganin called for a preparatory foreign ministers' conference which would not discuss "questions of substance," in contrast to the American position, suggests that Moscow might be prepared to agree--if eventually necessary.



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to convoke a heads-of-government meeting--to foreign ministers' talks limited to such questions as composition, agenda, and other procedural matters.

Bulganin's 2 February letter repeats the same proposals suggested as possible summit agenda subjects in his January notes. The Soviet bloc has apparently been encouraged by the public response in the West to the Rapacki plan for a "nuclear-free zone" in central

Europe and on 1 February, after five days of talks between Gromyko and Rapacki, the Soviet Union and Poland declared their willingness to discuss "an effective system of controls" as part of the plan. A high Polish Foreign Ministry official told Ambassador Beam on 3 February that as a result of the meeting, Poland will undertake new diplomatic initiatives without "propaganda fanfare" in pressing the plan.

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EGYPTIAN-SYRIAN UNION PROCLAMATION

The union of Egypt and Syria into the "United Arab Republic" (UAR), declared last week, remains an amorphous entity despite the list of "principles"--"constitutional outline"--announced on 5 February. The long-range success of the union will be determined very largely by the content Nasir gives it during the transitional period when he has practically absolute powers. Its immediate psychological impact, however, is a victory for the radical nationalism identified with Nasir. It has caused a strong reaction among the Egyptian dictator's enemies in the other Arab states.

This is not to say that enthusiasm for the union is unmixed or universal, even in Egypt and Syria. Commercial interests in the two countries are apprehensive; the Syrians in particular may eventually be called on to give up their relatively free enterprise system with its sound currency in favor of the more regulated Egyptian-style economy and the weaker Egyptian pound. A run on foreign exchange developed last week in northern Syrian centers, and the Syrian pound has lost about 10 percent of its value

despite efforts of the Central Bank to support it.

The Communist rank and file in Syria also appear worried and resentful over the move; some street fights have been reported between Communist and radical nationalist adherents. Communist party leader Khalid Bakdash has issued a lengthy "clarification" of the party's stand, which does not endorse Egyptian-Syrian union directly although it of course claims that the Communists remain in the vanguard of those seeking to achieve Arab unity.

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The far corners of Arabia seem to be the places where the maximum spontaneous enthusiasm has developed. Yemen's Crown Prince Badr arrived in Cairo on 5 February to talk "complete" union with the Egyptians. He is reported to have asked that Yemen, while preserving its economic and domestic institutions, merge its defense, foreign affairs, "national economy" and public

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education with the UAR. Adherence of the medieval Yemeni monarchy to the "United Arab Republic," in an obvious attempt to make the best of both worlds, could result in a net loss of impact insofar as it would seem to turn the union into just another kind of Arab League. In Kuwait, with its large proportion of Palestinians and Egyptian teachers, a sheep was sacrificed in honor of union in the main square amid general rejoicing.

All parties meanwhile are becoming more nervous over new incidents on the Israeli-Syrian border. The Israelis have for some time been engaged in mine-clearing and other operations in the Israeli-Syrian demilitarized zones, and have rejected UN Truce Commission urgings to limit their activities there. The Israelis insist on exercising their claim

to sovereignty over the zones, and are reported to have moved troops along the Syrian border, presumably to be prepared should the Syrians be provoked into more clashes. A new incident on the Israeli-Jordanian border has also been reported.

The USSR both publicly and privately continues to treat the union with reserve. Mikoyan declined to discuss the union at a Ceylonese Embassy reception on 5 February. The Soviet press and radio continue factual broadcasts without comment. The TASS Cairo correspondent continues to transmit enthusiastic assessments by the Cairo press, but Moscow has not retransmitted the material. However, the press in Warsaw, Prague, Bucharest, and Tirana have hailed the new state as the "first step" toward a union of all Arab peoples. [redacted]

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BULGANIN'S POLITICAL POSITION IN DOUBT

Premier Bulganin's political stature may have suffered severely, judging from the manner in which his nomination for election to the Supreme Soviet is being handled in the Soviet press.

According to the American Embassy in Moscow, he was not listed among the Soviet leaders proposed for candidacy in the first round of nominations reported in the press on 2 February. Presidium member Shvernik was nominated in the Moscow electoral district which elected Bulganin in 1954. When the press on 4 February included him in listing the nominations of all presidium members, the treatment given Bulganin was plainly perfunctory. Pravda alone, among the central press, noted his nomination and then only for one district each in the Ukraine and Latvia. Pravda

and Izvestia editorials on 2 February made special note of the nominations of seven other presidium members, and editorials in army and agricultural newspapers on 4 February mentioned 14 of the 15 presidium members, excluding Bulganin.

While nomination and election to the Supreme Soviet is pro forma in the case of presidium members, the number of districts which offer them nominations and press reportage of the proceedings usually provide a carefully contrived reflection of hierarchical rank.

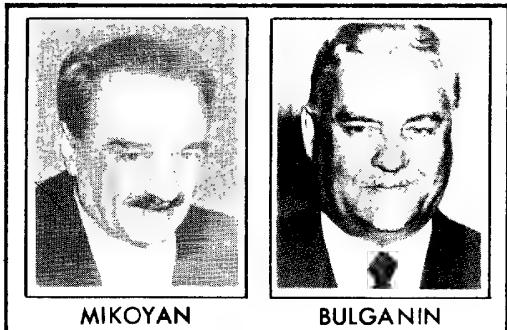
Bulganin was said to have wavered in his support of Khrushchev during last June's battle in the presidium, and there were indications soon thereafter that his political position was shaky. Although he had seemed to recover some of

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his lost prestige more recently; these latest signs may foreshadow his imminent downgrading and removal from the premiership.

Such a step would presumably be staged in a manner least likely to destroy the effectiveness of the diplomatic maneuvers with which Bulganin has been closely involved by his series of letters to foreign governments. A "resignation for reasons of health" might provide the most convenient device.

If Bulganin is demoted from the premiership, his replacement would almost certainly be one of the 14 remaining full members of the party presidium. Many of these can probably be counted out either because they are relatively unknown outside party ranks or because they lack adequate governmental experience. There is probably no such thing as a logical successor--Bulganin himself was a dark-horse in succeeding Malenkov in 1955. But on a list of possible successors three names would stand out--Anastas

Mikoyan, Frol Kozlov, and Khrushchev.

Though Mikoyan's Armenian origin may be a disadvantage to him where the premier's post is concerned, he has had more experience in the Council of Ministers than any other Soviet leader and, in public, has seemed to work well in tandem with Khrushchev. Kozlov, a younger man, was appointed chairman of the Russian Republic Council of Ministers last December--a move conceivably intended to groom him for Bulganin's post.

A further possibility is Khrushchev himself. He has long since moved into the area of policy-making which formally belongs to the premier and his assumption of the post would hardly alter the existing political facts. Such a likelihood is, however, lessened by the fact that in taking the premiership Khrushchev would assume a large administrative and ceremonial burden, he would be without the kind of foil which he seems to favor, and he would effectively destroy the remaining vestiges of group rule.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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INDONESIA

Establishment of a rival Indonesian government appears to be imminent. Lt. Col. Hussein, head of the Banteng Council in Central Sumatra, made a lengthy speech of justification on 6 February. The announcement follows by several days a warning given President Sukarno that unless he agreed to eliminate pro-Communist elements from the Djakarta government, the dissidents would proceed with their plans to proclaim an anti-Communist rival government. Sukarno is still in Japan, although he is planning to cut short his vacation there.

Presumably, the dissident cabinet would be staffed as previously announced with Sjafrudin, a leader of the Masjumi and former governor of the Bank of Indonesia, as prime minister. The foreign minister is expected to be Col. Simbolon, who sparked the dissident movement in Sumatra. According to these plans, other ministerial posts would be held by Masjumi leaders who have gone to Sumatra in recent weeks and by various dissident commanders from Sumatra and North Celebes who have defied the Djakarta government for more than a year. The dissidents face the problem of maintaining unity among themselves. They have already had some difficulty in effecting compromises between conservatives and activists and probably will encounter regional jealousies.

The Djakarta government can be expected to retaliate

by intensifying its efforts to sow disunity among the dissidents and to retain the loyalty of those military and civilian elements still not committed to the anti-Djakarta groups. It will also make greater efforts to obstruct barter trade from the dissident areas to foreign ports. Almost certainly Djakarta would cut off budgetary support to defiant areas in the hope that the necessary economic adjustments would cause the dissident movement to collapse shortly.

Communist labor organizations in Central and South Sumatra undoubtedly will try to create trouble for the local administrations, although in doing so their leaders probably face arrest and imprisonment by the anti-Communist military commanders in both areas. The Communists are well entrenched in oil and agricultural laborers' organizations throughout Sumatra.

Sukarno and his supporters might also resort to more forceful retaliation, including a limited naval blockade, air strikes, raids, and subversion. In these efforts, the government on Java will have important assets in the form of the substantial Javanese population in South Sumatra, the Communists who are strong in the oil and estate labor unions, and military units scattered about Sumatra which are still loyal to Djakarta.

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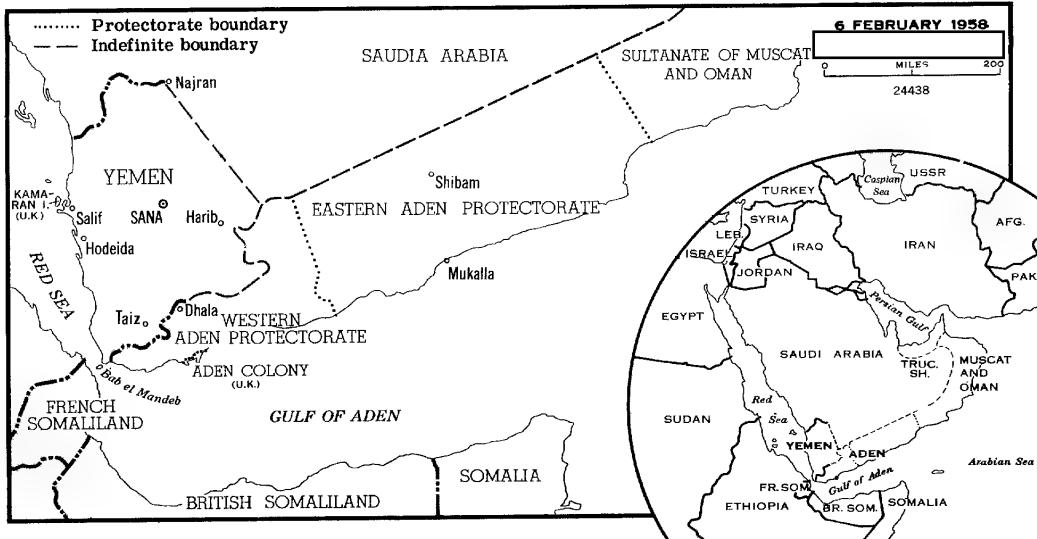
ANTI-WESTERN TREND IN YEMEN

The anti-Western trend in Yemen will probably accelerate now that Crown Prince Badr, principal advocate of Sino-Soviet bloc aid, has returned from an extended visit to Eastern Europe, Moscow, and Peiping with new diplomatic, aid, and trade agreements. Shortly after Badr's return to Yemen, the Yemeni chargé in Cairo announced that Yemen and the USSR had signed "a number of economic and trade agreements" during the two-week visit of Soviet Ambassador Kiselev, who resides in Cairo, and a party of 27 Soviet experts. If the chargé's announcement is correct, the agreements presumably include a previously offered five-year economic development loan, which the USSR valued at \$35,000,000.

Agreement may also have been reached on establishment of a resident Soviet diplomatic

mission. The proposals offered by the Soviet ambassador are reported to have included an aerial survey of "natural Yemen," i.e., southern Arabia including British-controlled Aden Protectorate. The American consul in Aden, who has been on a trip to Yemen, reported that a Soviet photo team would leave for a tour of Yemen's border areas on 27 January.

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The Yemeni Government, meanwhile, thwarted a new conspiracy by northern tribesmen against the Imam on 22 January. The plot, which does not appear to have been well developed, is said to have been supported by a group of Yemeni patricians and merchants who opposed Crown Prince Badr's claim to the succession. Rumors in the bazaar that the plotters were supported by Britain and the United States may reflect

a Yemeni Government effort to exploit the incident to reduce Western influence in Yemen further, and justify turning to the USSR for more aid against "imperialism." Yemen also used the incident to request the recall of the British chargé.

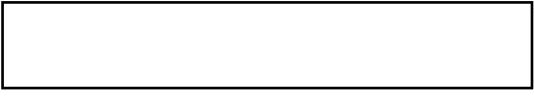
Yemen's relations with Britain may be expected to deteriorate further, with more serious attacks along the Aden Protectorate frontier, and spreading subversion within the

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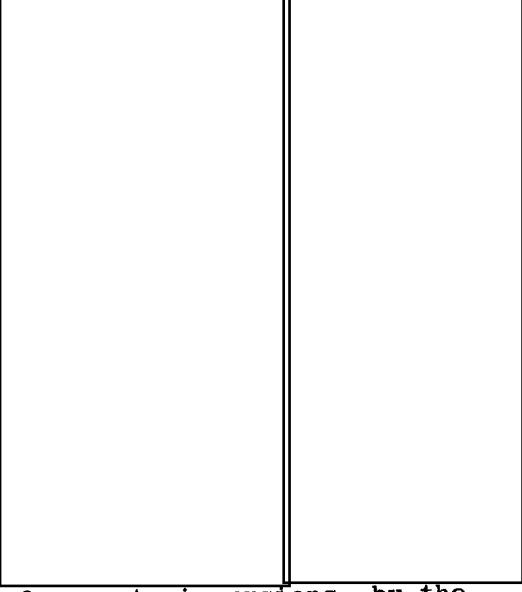
SPAIN PREPARES MILITARY CAMPAIGN IN WEST AFRICA

Spain may soon initiate a military offensive against irregular Moroccan Army of Liberation concentrations in the Ifni enclave, Spain's Southern Morocco protectorate, and Spanish Sahara. France will probably lend some tangible support, but the precise extent of its commitments is unclear. The irregulars--a mixture of professional guerrillas from Morocco and dissident local tribesmen--have controlled much if not most of Spain's West African territories since early December, when they forced a Spanish withdrawal to five coastal defense perimeters.

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frequent incursions by the



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guerrillas into Mauritania and western Algeria and fear the consequences should Spanish power disappear entirely from the area, France's participation is likely to be limited. Paris is known to be anxious to minimize friction along the Moroccan-Algerian border and to avoid arousing the Moroccans, whom some French officials apparently still hope to use as a channel to the Algerian rebels. In addition, all-out French involvement might have repercussions in the National Assembly.

Any direct French action will thus probably be restricted to stepped-up patrol activities in border areas and to limited "hot pursuit" forays into Spanish Sahara. In any event, French forces will almost certainly not be used in the protectorate--where France recognizes the sovereignty of Morocco or in Ifni.

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France has an estimated 4,000 to 5,000 men in Mauritania, and there are believed to be at least 2,000 to 3,000 additional troops available in the extreme western triangle of Algeria.

Estimates of Army of Liberation strength still vary widely [redacted] about 7,000 armed guerrillas throughout the

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Spain, although hampered by bad weather and logistical problems, has recently reinforced its West African garrison and now has an estimated 7,000 men in Ifni and another 8,000 troops dispersed among the four strong points in Southern Morocco and Spanish Sahara. Forty bombers and transports, which have given Spain unchallenged air control, may soon be augmented by about a dozen vintage German fighters. Major elements of the active Spanish fleet continue to be deployed in West African waters.

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Ifni - Spanish Sahara area appears reasonable [redacted]

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orate. The guerrillas' mobility and ability to lose their identity among local tribesmen and, where practicable, to melt across Moroccan frontiers, make the ultimate success of any military operation against them highly problematical.

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CYPRUS

Recent events regarding Cyprus may make it extremely difficult for Britain to prevent a serious deterioration of relations with either Athens or Ankara. While it is probable that Britain would, of necessity, choose to side with Turkey in case the issue is forced to a decision, London will undoubtedly continue trying to placate both allies by strenuous diplomatic efforts.

Turkey's recent rejection of British proposals for Cyprus, advanced while Foreign Minister Lloyd was in Ankara, exemplifies the intransigent demand of the Turks for partition. Following the Turkish action, Governor Foot proposed that he visit Athens in an attempt to secure the agreement of Archbishop Makarios and the Greek Government for proposals designed to bring Makarios back to Cyprus and to proceed toward a form of self-government. Due to the current situation, London's long-awaited policy statement on Cyprus, which may be delivered next week, probably will be noncommittal and lacking in details.

Violence might still be prevented if the Cypriot Ethnarchy would and could convince the leader of EOKA to restrain his followers. Some members of the ethnarchy, aware that a large segment of world opinion favors self-determination for Cyprus and that the British Labor party is on record as favoring its eventual implementation, may consider that a program of violence would be detrimental to their cause. In addition, Greek Cypriot right-wing leaders would be either eliminated or so restricted in their activities that Communists might increase their influence on the island. For these reasons, the ethnarchy may be considering the substitution of some form of passive resistance for an all-out EOKA campaign of terrorism.

Meanwhile, the Turkish Cypriot underground organization has called for a campaign of passive resistance and non-cooperation with the British but has warned that further violence will be met with force. The leader of the "Cyprus is Turkish" party, Fazil Kuchuk, on returning to Nicosia from Ankara, emphasized the identity of interest of Ankara and the Turks on Cyprus and declared that if the Turkish minority proved inadequate for securing partition, Turkey "is ready to step in to help us."

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FOREIGN POLICY DIFFERENCES IN ISRAEL

The Israelis regard union of Egypt and Syria as increasing the Arab threat to their security. In this context, the nature of Israel's relationship with the West--the basic issue

which provoked the country's government crisis in late December--will assume renewed significance as a political issue. This issue remained unresolved after the crisis, since the

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"new" government has the same membership as the last, and the members of the coalition who oppose Prime Minister Ben-Gurion's policy of closer association with Western powers have not altered their fundamental views. The controversy may be silenced publicly for the time being, but Egyptian-Syrian union may bring it into the open again.

Achdut Haavoda and Mapam, the left-wing labor parties in the coalition, have long advocated neutrality in the conflict between East and West, partly because of their ideological affinity for the Soviet "homeland of socialism" and partly because of their distrust of the capitalist West. The fact that Achdut Haavoda was bold enough last December to jeopardize the government by publicizing a planned "arms purchasing" mission to West Germany is indicative of the strength of neutralist sentiment in Israel.

Since the Middle East now is a major theater of the East-West conflict, the validity of neutralism has increased in the eyes of its Israeli adherents. They reason that while formerly Israel had only to contend with a relatively weak, divided Arab world, the situation has changed as the USSR has been providing large-scale support to Syria and Egypt--support which probably will continue following their union. The neutralists argue that Israel does not en-

joy comparable strong backing from the West; therefore an "independent" foreign policy should be adopted in order to propitiate the USSR and possibly improve Israel's relations with the Arabs.

Ben-Gurion, on the other hand, advocates closer relations with the West to counter Soviet influence among the Arabs--a policy of meeting strength with strength. Accordingly, he has sought a guarantee of Israel's security through overtures to the United States and other NATO countries and has achieved a close working relationship with France. On the economic level, similar approaches have been made, such as the Israeli statement recently circulated to all delegates to the Organization of European Economic Cooperation asking for "gradual integration of Israel into existing or emerging European organizations for economic cooperation."

While this policy very likely will be continued by the present government, Ben-Gurion also realizes Israel cannot speak up very boldly to Moscow--as shown by Israel's very mild reply to the Bulganin note of last December. As a result both of this realization and of the recent crisis, Ben-Gurion may become more secretive than ever about his diplomatic moves toward the West, which may in turn lead to increased criticism from his opponents.

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HIGHLIGHTS OF BAGHDAD PACT MINISTERIAL COUNCIL MEETING

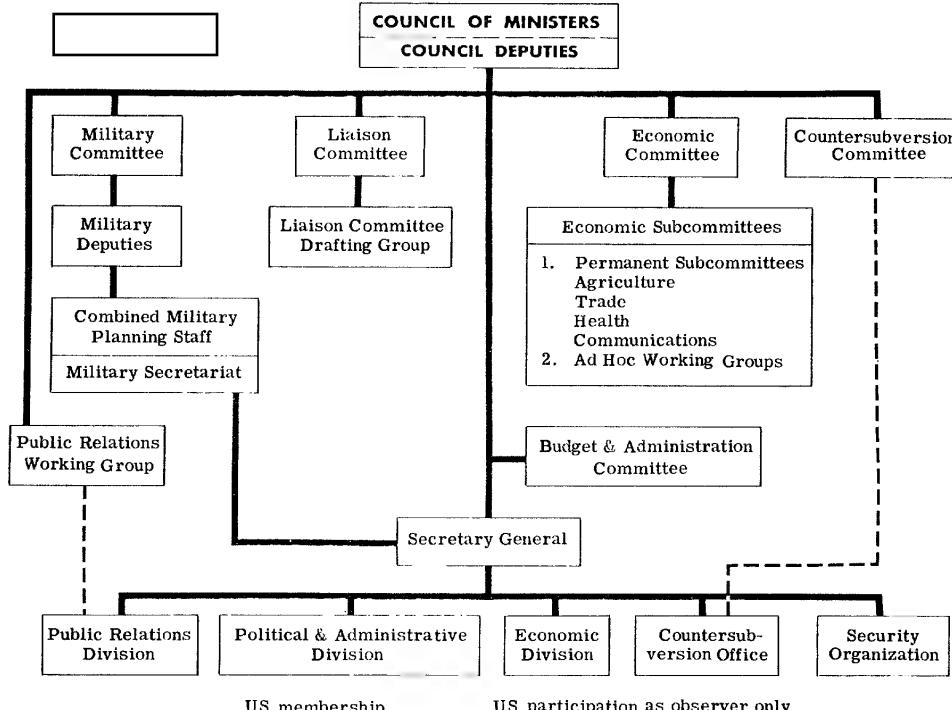
All delegations at the meeting of the Baghdad Pact Ministerial Council which convened in Ankara from 27 to 30 January apparently were satis-

fied with its modest achievements. Their satisfaction may have resulted from the attendance of the high-ranking American observer delegation, which

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BAGHDAD PACT ORGANIZATIONAL CHART

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made strong statements supporting the pact.

At the meeting, the Combined Military Planning Organization was redesignated the Combined Military Planning Staff, which may lead eventually to a joint command. The new staff, to be headed by Turkish General Ekrem Akalin, will not have troops under its command, but a staff exercise will be held in the near future.

The Military Committee has directed the staff to review what the extent of the pact area's involvement would be in the event of a global war, to make a reconnaissance of defensive areas, to appraise the effects of nuclear attacks, to determine land force require-

ments, and to study the types and nationality of needed units.

A number of controversial issues were raised during the meeting, including problems concerning Israel, Algeria, and Kashmir. However, only Iraq's insistence that an official stand be taken favoring the return of Israel to the borders recommended by the 1947 UN resolution threatened a crisis. After considerable opposition developed, Iraq reluctantly withdrew its recommendation.

Iran's earlier threat to withdraw from the pact has been headed off, temporarily at least, by the Shah's satisfaction over the outcome of the meeting. He apparently is convinced that Iran achieved its

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objectives and that approval was given for expansion of its military forces.

The delegations were disturbed by the prospect of the Syrian-Egyptian union. They feared, however, that attempts by pact members to oppose union would only assure its success and possibly cause Syria and Egypt to secure more backing from the USSR.

Moscow sought in advance to undercut the meeting by protesting to Pakistan on 23 January against the alleged establishment of American missile bases there and offering "disinterested" economic aid if Pakistan would change its policy toward the Baghdad Pact and SEATO. The USSR also promised Iran a "new" program of econo-

ic aid which would furnish "anything you want" without strings.

The USSR devoted a large volume of propaganda to the meeting. Moscow, along with other states opposing the pact, sought to intensify opposition sentiment in the area by charging that the Ankara meeting was an American attempt to force rocket and nuclear bases on pact members and by alleging that the meeting revealed splits among pact members. The USSR continues to emphasize that the peoples of the area and the Moslem holy places are endangered by Western military ties in contrast to conditions which would arise if the Soviet proposal for making the Middle East a "zone of peace" were adopted.

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WORLD REACTION TO THE US EXPLORER

Communist World Reaction

Soviet propaganda media promptly reported the successful launching of the American "Explorer," but comment has been light and the subject has been treated routinely in newscasts. The authors of initial comments, like those of Moscow's early commentaries on Sputnik I, are mostly scientists.

Soviet comment has acknowledged the peaceful scientific value of the earth satellite, while stressing the continued Soviet lead in rocketry. It has sought to give the impression of graciously welcoming the American achievement and peaceful competition, but congratulated the United States scientists in a patronizing manner. Given widest publicity have been the congratulatory telegram from the Soviet Academy of Sciences and a commentary by Soviet scienc-

tist Blagonravov pointing out that the Explorer is of "very inconsiderable" size as compared with the sputniks, and that the American launching was a less momentous event than its Soviet precursor.

Presidium member A. I. Mikoyan made the first comment by a member of the Soviet hierarchy on the subject while attending a Ceylonese Embassy reception. While noting he was "pleased" by the American achievement, he chided that "of course we waited some time for this event to take place. But it finally happened. That is good. It's peaceful competition, you know." Mikoyan made it clear that Russia will send up "several more" sputniks.

With the exception of Poland, Eastern European comment has been generally deprecating, stressing that the Explorer was

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launched four months after the first sputnik, that it is technically inferior to the Soviet satellites, and that it was designed by a former Nazi. The Polish press, however, had words of high praise for the American achievement, saying the Americans "deserve full credit for having managed to convert a military missile into a satellite rocket within a few months." One Polish scientist was quoted as saying: "This is a far more important thing (scientifically) than the other one up there--a useless piece of metal with a dead dog in it." Polish Premier Cyrankiewicz also hailed the launching as a "fine scientific achievement."

Peiping's propaganda reaction has been the most caustic so far. People's Daily editorially called the Explorers--launched by "relatively backward" American rocketeers--a far cry from the Soviet sputniks and pointed to the fact that it was launched by "only a medium-range rocket" unlike the Soviet ICBM.

Free World Reaction

Non-Communist reaction was almost unanimously favorable. "Relief and satisfaction" sum up the public and official reaction in Western Europe. The three powers most concerned with possible summit talks stressed the achievement in the perspective of its probable influence on such talks. The British Foreign Office is "delighted," and the press saw increased probability of early summit talks. French diplomatic officials called the Explorer an element favorable to an international detente and also to convocation of a summit conference.

Both the West German Government and the opposition

hailed the Explorer. The Christian Democrats believe the United States can now meet the Soviet Union on equal terms, and military circles were quoted as relieved at the restoration of the military equilibrium. Opposition Socialists said that neither East nor West can draw decisively ahead in the arms race and called for new disarmament negotiations.

Asian-African response to the launching has been both limited and delayed. Comment to date has generally expressed satisfaction and the hope that the scientific advances will help lead to a lessening of international tensions. All Japanese papers, while admitting the smaller size of the Explorer, praised its quality and predicted that America would overtake the Russians. They feared, however, the development of a "space race" and called for summit talks. Indonesian Foreign Minister Subandrio congratulated the United States and expressed hope that both America and Russia will use their scientific knowledge for humanitarian purposes.

Australian Prime Minister Menzies declared that the launching "now greatly strengthened" President Eisenhower's proposals for peaceful use of investigations of outer space, and the press called the launching a "decisive move in the cold war," declaring that "it is in the psychological sphere that the American satellites will be most felt and welcome."

In both Syria and Egypt the launching took second place to the proclamation of a "United Arab Republic." In both countries, though, the American success was noted but invidious comparisons with the Russian satellites were emphasized.

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SOVIET ECONOMIC DEVELOPMENT IN 1957

The growth rate of the USSR's industrial production in 1957, according to a report of the Central Statistical Administration, was well above that of the United States and well above plan, although slightly below the 1956 level. The housing plan, which was ambitious, was overfulfilled for the first time in Soviet history, reflecting a shift in investment allocations in favor of the consumer. The nonfulfillment of production and investment goals in some important industries, however, indicates that the attempt to push the housing, agricultural, defense, and heavy industry programs simultaneously continues to run into the problem of competing priorities.

The announced rate of increase in total industrial production was 10 percent in 1957 as compared with 10.7 in 1956. Growth rates in most instances were below 1956 rates and be-

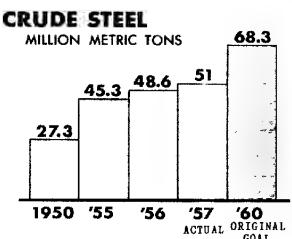
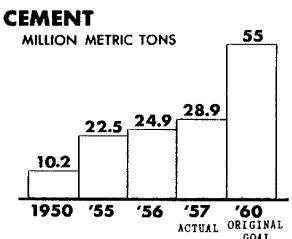
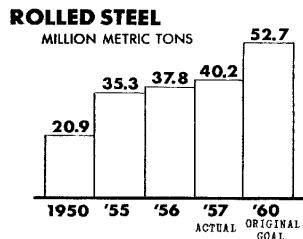
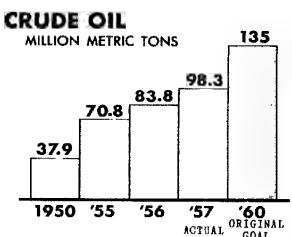
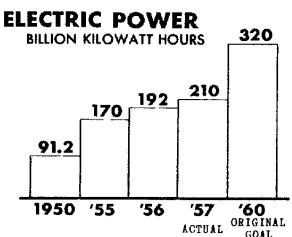
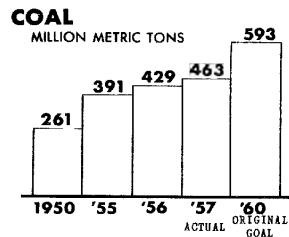
low the rates necessary to ensure achievement of original 1960 goals. The rate of increase of national income, influenced by a fall in agricultural production from the unusually high level of 1956, dropped from 12 percent in 1956 to 6 percent in 1957.

Progress in meeting planned output goals in heavy industry was uneven, with shortfalls reported in electric power, natural gas, pig iron, and crude steel, but with overfulfillment in coal, petroleum, finished steel, cement, and mineral fertilizers. The overall success of the 1957 plan was achieved in part merely by setting more modest levels for the year's goals, in contrast to the very high levels set in previous years.

Total capital investment, which increased 12 percent in 1957 in contrast to an initial planned goal of only 8 percent,

USSR: OUTPUT IN SELECTED BASIC INDUSTRIES

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was still considerably below the announced 17-percent increase in investment in 1956. The investment plans for completion of new production capacity in the coal mining, iron ore mining, cement, and ferrous metallurgical industries were underfulfilled. These industries, in which plans for new capacity also were not met in 1956, were cited by Pervukhin in early 1957 as being bottlenecks.

Shortfalls in these areas are in sharp contrast to the success in meeting the ambitious housing investment program and the modest plan for increasing over-all non-housing construction.

The increase in the number of workers and employees in 1957 equaled the 1956 increase, but industrial labor productivity, although above plan, rose only 6.5 percent in 1957 as compared with 8 percent in 1955 and 7 percent in 1956. A rise in the rate during the second half of 1957 suggests the possibility of further improvement under the new managerial organization and as the reorganization of the wage structure continues.

Soviet comparison of 1957 agricultural production with the relatively poor performance of 1953 in the official plan report indicates Soviet disappointment over 1957 achievements. The total grain harvest --26 percent above the 1953 level--produced no increase over 1955 in the amount of grain

ANNUAL PERCENTAGE INCREASES IN SOVIET INDUSTRY

REPORTED

	1951-55 AVERAGE	1956	1957	1957 PLAN
GROSS INDUSTRIAL PRODUCTION	13.1	10.7	10.0	7.1
LABOR PRODUCTIVITY	7.0	6.9	6.5	5.4
COAL	8.4	10.0	7.9	6.3
ELECTRIC POWER	13.3	13.0	9.1	9.9
ROLLED STEEL	11.1	7.0	5.8	3.9
CRUDE STEEL	10.7	7.0	4.9	6.0
CEMENT	14.1	11.1	16.0	12.4
CRUDE OIL	13.3	18.0	17.3	15.7

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procured by the state. Meat production increased at a somewhat higher rate than in 1956, but the increase in milk production was slightly less than in 1956. Neither grew at a rate which would guarantee fulfillment of the Khrushchev meat and milk goals.

(Prepared by ORR)

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KHRUSHCHEV DOMINATES PAGES OF SOVIET PRESS

Only two years after his denunciation of the Stalin cult, Khrushchev has himself taken over a special niche in the Soviet press. At no time since he became first secretary of the party in 1953 have his activities and pronouncements commanded so much attention in Soviet propaganda as in recent months. Habitually sensitive

to the realities of political power, the press expends little effort on maintaining the appearances of "collective leadership."

Khrushchev's conspicuous place in Soviet publications seems to derive, for the most part, from his expanded role as principal policy spokesman for

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the regime rather than from a contrived propaganda build-up. It falls well short of the sanctified eminence enjoyed by Stalin in his later years. Nevertheless, there are some signs--notably in the recent attempt by the party journal Kommunist to magnify Khrushchev's part in the World War II victory at Stalingrad--of an incipient "cult of personality" forming around the party chief.

Because of the volume of Khrushchev's pronouncements and his increasingly close identification with major policy positions--whether in agricultural organization or literature--the phrase "as Comrade Khrushchev has pointed out" occurs with growing regularity in the Soviet press. In his frequent excursions outside the Soviet capital, he manages to publicize himself and his familiarity with local problems, as Stalin never did, while also receiving with no apparent pangs of modesty the honors due a powerful figure.

During his visit to Kiev last December, where he dominated an anniversary session of the Ukrainian Supreme Soviet, it was reported that flowers were scattered in his path, and at Minsk, in January, he seems to have thrown himself grandly into the part of "father of his people." On that occasion, he opened his speech by answering questions addressed to him on a variety of local problems, taking the tone of a stern but equitable patron of lesser folk.

Khrushchev has stolen much of the public play from Bulganin and his other Presidium colleagues. He has made increased use of the interview technique in recent months as a means of launching and sustaining a propaganda campaign and possibly also as a means of signifying his personal authority. Since last June he has granted 12 such interviews to foreign newspaper representatives, while Bulganin has given two and other Presidium members have given none.

The once-familiar Khrushchev-Bulganin public relations team last functioned in Czechoslovakia in July 1957. On subsequent trips into Eastern Europe, Khrushchev was either accompanied by Mikoyan or traveled alone, as was apparently the case in the recent visit to Poland. Bulganin's name has, however, appeared often in the Soviet press in recent weeks in connection with the series of notes sent to foreign governments, which, in accordance with protocol, carried his signature as premier. Otherwise, in formal interviews and off-the-cuff statements to foreign newsmen, Khrushchev has taken the lead in the effort to build pressure for a summit conference.

The announcement in Moscow on 21 January that "a collection of Nikita Khrushchev's speeches last year on the foreign policy of the USSR and international relations has been issued in a mass edition" would appear to give a clear picture of where the real authority in foreign policy lies.

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MIKHAIL A. MENSHIKOV--NEW SOVIET AMBASSADOR TO THE US

Mikhail A. Menshikov, former Soviet ambassador to India, arrived in the United States on 6 February to assume his new duties as ambassador. A late-comer to the diplomatic corps,

Menshikov is a foreign trade specialist and is known in the United States for his work with the UN Relief and Rehabilitation Administration. His major aim in Washington will probably be

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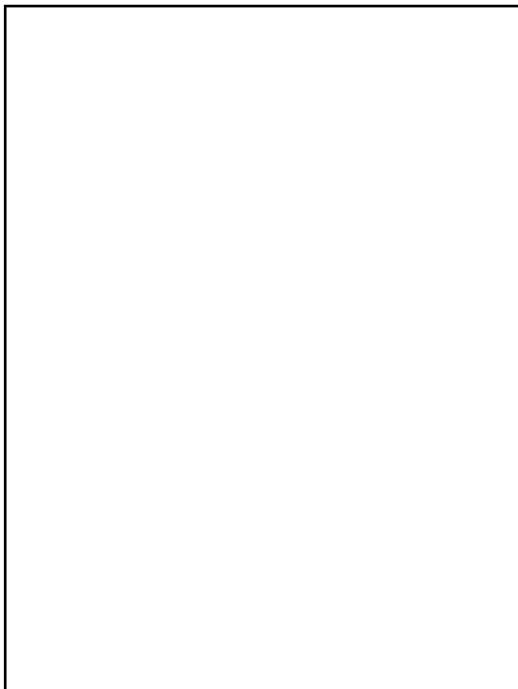
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to stress the need for improved Soviet-American relations through contacts between top leaders.

For his first diplomatic assignment, Menshikov was sent to New Delhi in 1953, shortly



MENSHIKOV

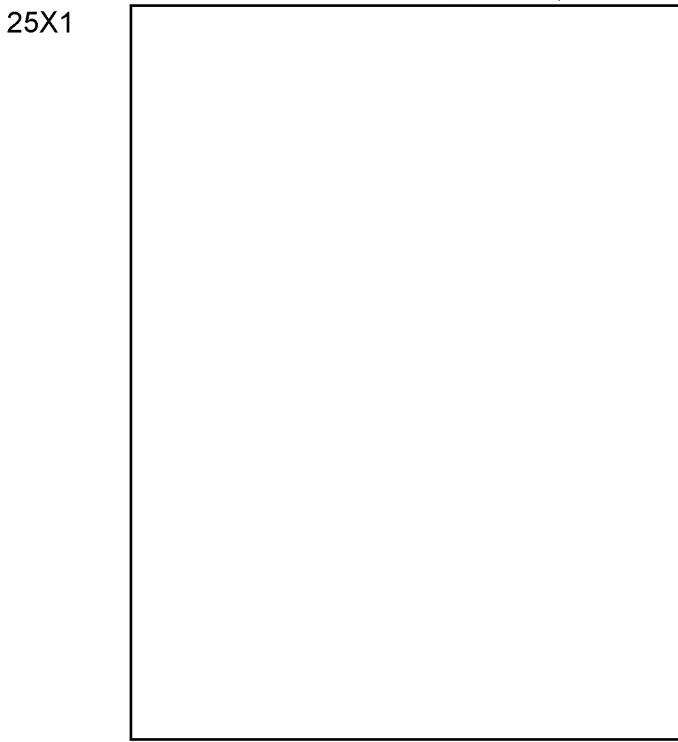


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after the death of Stalin. A



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Like his predecessor, Georgiy Zarubin, Menshikov is a candidate member of the central committee, having been elected at the 20th party congress in February 1956. He impressed Ambassador Thompson favorably but as inferior in [redacted] to his predecessor. ILLEGIB His long association with Mikoyan, however, may give him more influence in Moscow than Zarubin enjoyed.

Once established in Washington, Menshikov will probably push the Soviet campaign for high-level bilateral meetings. During a conversation with Ambassador Thompson, Menshikov stressed the need for improved Soviet-American relations through contacts between top leaders.



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COLLECTIVIZATION IN RUMANIA

In a return to policies for 100-percent collectivization which were temporarily suspended following the Hungarian revolt, the Rumanian regime has stepped up its campaign to force landowning peasants and agricultural cooperatives into collective farms. The present effort is concentrated on regions east of Bucharest--Constanta, Iasi, and Galati. The regime is emphasizing the level of collectivization attained and the total land area incorporated into the "socialist sector," rather than the number of families involved.

The areas of Constanta, Iasi, and Galati in eastern Rumania have always been considered as a sort of "New Lands" by the regime. The terrain, moreover, is such as to lend itself to the formation of large collective farms, which probably accounts for the drive being pushed there. After the postwar distribution of estates, the average landholdings there were larger than those throughout the rest of the country. The climate is poor and the crop yield has been low even in years of exceptionally good harvest, as in 1957.

The peasants in Constanta were among the first to pool their properties in 1948 and 1949, and were the first to form agricultural cooperatives or associations. There is considerable dis-

parity in other areas of Rumania both as to the amount of land collectivized and the pressure being brought to bear by the regime. In mountainous Transylvania, for instance, little or no effort has been applied, particularly in the present drive. About 45 percent of the total arable land in Rumania has been collectivized.

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[redacted] peasants are resisting the drive and that in at least two instances the regime has found it necessary to use troops to suppress armed uprisings. While the possibility that such resistance has developed cannot be ruled out, the peasants in these districts have remained fairly passive in the past, preferring obstructionist tactics to violence.

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In the present campaign, peasants have been forced to sign declarations that they support the regime's agricultural policy--failure to do so being tantamount to political disloyalty--and that they are willing to assist in its implementation. Armed with these statements, the regime has proceeded to socialize the land according to its own timetable. An estimated 30,000-40,000 agitators have engaged in a door-to-door campaign to elicit the peasants' "voluntary consent."

In July 1957, Constanta was alleged to be fully "co-operativized," and on 20 October, the press announced it had been completely collectivized, thus becoming the first sizable

area outside the USSR to be fully patterned after the Soviet model.

The regime's decision to force 100-percent collectivization at this time under the pretext, presumably, of providing a "rational" scheme of land utilization with the free consent of the peasants may have been prompted by last year's record harvest. In addition, urban areas apparently are benefiting from a more than adequate food supply. The renewed drive may portend a nationwide campaign, but there are as yet no indications of any intention by the regime to widen it appreciably early in 1958 or to reintroduce any system of compulsory grain deliveries

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HO CHI MINH'S VISIT TO INDIA AND BURMA

Ho Chi Minh's current state visit to India and Burma is his first trip outside the Communist bloc since negotiating with the French in 1946. The North Vietnamese President and party boss will try to offset the favorable impression which South Vietnam's President Diem reportedly made on Indian officialdom during his tour of India last November, and he will seek to halt the decline of North Vietnam's prestige in Burma which began during the last year.

Both Nehru and U Nu visited Hanoi after the French defeat; and, although neither India nor Burma extended diplomatic recognition to North Vietnam, both governments seemingly acted on the premise that--Communist or not--Ho Chi Minh was the legitimate heir to the Vietnamese nationalist movement. Diem's success in South Vietnam and an increasing awareness of the

North's dictatorial methods and economic failures have lowered Hanoi's prestige however

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Hanoi is determined to keep the commission alive as a symbol of the validity of the 1954 Geneva Agreements. Both Hanoi and Moscow apparently regard the agreements as a moderately effective propaganda weapon to inhibit a major military build-up in the South. France has withdrawn its financial support

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of the ICC, and the UK has also indicated its desire to cut back its contribution to ICC operating funds. In addition, Canada apparently intends to reduce its commission personnel when headquarters are moved from Hanoi to Saigon in March. Ho will almost certainly ask Nehru to resist these Western attempts to reduce the size of the ICC. He will also request India and Burma to support Hanoi's demand that the Geneva Agreements be implemented. Nehru is likely to be noncommittal.

Diem's recent decision to call off his own visit to Burma this month rather than arrive close on the heels of Ho's tour seems to have piqued Rangoon officials. Nevertheless, Ho will encounter in Rangoon an

attitude which views Diem's administration in an increasingly favorable light. Rangoon's decision last December to allow both South and North Vietnam to establish consulates general there was actually more of a victory for Saigon, which had no representation in Burma, than for Hanoi, which has maintained a quasi-official mission in Rangoon since 1947.

The presence in Ho's entourage of his ministers of culture and commerce suggests his intention to carry on discussions in these fields. Ho will probably stress Hanoi's acceptance of "peaceful coexistence" among states of different ideologies, emphasizing the "common Asian outlook" which the North shares with Burma and India.

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BURMESE PREMIER REJECTS COMMUNIST METHODS

Burma's Prime Minister U Nu, in his four-hour address on 29 January to the Third National Congress of the governing Anti-Fascist People's Freedom League (AFPFL), repudiated Marxism as the league's guiding political philosophy. In his analysis of the historical development and philosophic content of socialism and "state capitalism," he rejected dialectical materialism as incompatible with Buddhism and stated that the AFPFL "approves only some parts" of Marxian economic doctrine. In pledging that the AFPFL would build a socialist state only through democratic means, Nu warned of the necessity of guarding against an excessive concentration of power leading to totalitarianism, thus by implication at least strongly condemning Marxian Communism.

U Nu's speech is of considerable significance in registering in a definitive and colorful fashion the AFPFL's commitment to a democratic socialism of the British Labor party variety. It points up the degree to which Burma's leaders have, in ten years since independence, abandoned their rigidly doctrinaire socialism, which in some instances was scarcely distinguishable from Communism.

The Burmese prime minister's address suggests a deliberate effort by the AFPFL to distinguish itself ideologically from the Communist-led National United Front (NUF), the only opposition group with prospects of defeating the AFPFL at the polls in the foreseeable future. The NUF will probably be increasingly attacked by AFPFL speakers

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as the party of Communist "stooges" who would seek to build a socialist state in Burma by totalitarian methods.

The AFPFL executive committee reportedly approved Nu's speech in draft after extensive and detailed consideration. While apparently in accord on ideology, the continuation of factionalism stemming from rivalry for power among the top

AFPFL leaders is suggested by Deputy Prime Minister Ba Swe's emotional opening speech to the congress in which he pledged to "fight" if necessary those "who are creating the splits" in AFPFL ranks. Ba Swe's statement tends to confirm rumors of another bitter dispute between U Nu and Deputy Prime Minister Kyaw Nyein, this time over the appointment of a secretary general for the AFPFL. [redacted]

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NEW JAPANESE BUDGET RAISES DEFENSE EXPENDITURES

The Japanese Government has approved and sent to the Diet for final endorsement a national budget for the fiscal year beginning 1 April which is economically sound and remarkably free of "political" appropriations despite the pros-

payments crisis; some reduction of corporation taxes, but not of personal income taxes; increased expenditures for defense and for veterans' pensions; and a new appropriation for economic cooperation with Southeast Asia.

While the total budget of \$3.64 billion is 15 percent larger than that of the previous year, a substantial surplus exists and actual expenditures will be only slightly higher because sizable amounts are to be set aside for debt retirement and for a special contingency reserve. An exception to the tight money policy, which Japan initiated in 1957, is the establishment of a fund to aid small businesses hard hit by their inability to obtain credit. Expenditures for social welfare, education, and local government are greater than last year.

The \$333,000,000 appropriated for defense is about 19 percent more than last year. In addition, the Japanese Government will make available \$73,000,000 in yen currency and facilities assistance for American forces in Japan. The defense appropriation, approximately 11.2 percent of the total budget, will permit a 10,000-man

JAPANESE BUDGETS FOR FISCAL YEARS 1957 AND 1958 (MILLIONS OF DOLLARS)		
UNCLASSIFIED	1957	1958
DEFENSE	391	406
SOCIAL SECURITY	321	332
EDUCATION	375	403
PENSIONS	286	300
REPARATIONS	61	66
PUBLIC WORKS	455	453
LOCAL GOVERNMENT	519	622
OTHER	752	1,062
TOTAL	3,160	3,644
SURPLUS	121	277 (ANTICIPATED)

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pect of general elections during the year. Its major features are a continuation of the tight money policy to deal with the international balance-of-

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build-up of the Ground Self-Defense Force as well as small increases for the air and naval forces.

A unique feature of the 1958 budget is an appropriation of approximately \$14,000,000 for economic cooperation with Southeast Asia, a program which Japan has long espoused but has not taken practical steps to implement.

The press and public opinion in general have joined the Socialists in criticizing the increase in veterans' pensions, which amount to 6.5 percent of total appropriations. The So-

cialists claim that the pensions and defense expenditures, in effect, constitute a "rearmament budget."

Despite Socialist criticism, the budget is expected to be passed by the Diet substantially unchanged, after which Prime Minister Kishi probably will turn his attention to setting a date for general elections. Although many conservatives have pressured for politically attractive appropriations to win votes, early indications are that the budget will not be a significant factor in the elections.

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CONTINUING TENSION IN CUBA

President Batista's efforts to create political peace in Cuba in preparation for the general elections on 1 June have produced little more than a surface calm. Revolutionary elements are stepping up their campaign of terror and have announced plans to sabotage industrial installations, including those owned by US interests, as well as sugar cane fields and tobacco warehouses. There are also new signs of plotting against Batista among the military, the principal bulwark of his regime.

Apparently realizing that an attempt to retain the presidency after the end of his constitutional term in February 1959 would be met by determined, if not violent, opposition, Batista last November authorized the reorganization of the military to allow a retired president to assume the position of general in chief of the armed forces.

This bid for absolute power via the military is thinly

veiled, and general opposition to the plan may become marked as elections approach. In reshuffling officer assignments on 29 January in order to put the new defense law into operation, Batista appointed a ruthless and extremely unpopular officer as army chief of staff. This appointment, coupled with increasing police brutalities in dealing with both military personnel and civilians, may provoke open manifestations of discontent within the army.

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Preparations for elections are progressing in the relatively free atmosphere provided by Batista's restoration of constitutional guarantees on 25 January. The nomination of

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Prime Minister Andres Rivero Aguero by Batista's Progressive Action party on 3 February was tantamount to his designation as presidential candidate for the government coalition. Two opposition parties have named presidential candidates, and

a third is expected to declare its candidate before long. There is little chance for the divided opposition to offer more than a token challenge to the government candidate.

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PART III

PATTERNS AND PERSPECTIVES

SUDAN'S RELATIONS WITH THE SINO-SOVIET BLOC

Sudanese Premier Abdullah Khalil has resisted the diplomatic and trade approaches of the Sino-Soviet bloc. A Soviet offer of substantial economic aid and trade--the major bloc initiative thus far--was submitted last August amid a near crisis over cotton surpluses. The offer was shelved despite the objections of some members of the coalition government, and the recent rise in cotton sales to Western nations makes it unlikely the offer will be reconsidered in the near future.



KHALIL

During the first half of 1957, trade with the bloc amounted to only 2.2 percent of the Sudan's total trade.

The Sudan's improved economic outlook has apparently given Khalil enough confidence to stiffen his opposition to bloc activities in his country and to the activities of local Communists. He has protested to the Soviet ambassador about the activities of Soviet diplomatic personnel in the Sudan, is adamant in his opposition to recognition of East Germany and Communist China, and apparently plans restrictive legislation

aimed at the local Communists. However, the Sudanese Communists, who have been particularly successful in the labor movement, are well organized and benefit from the sometimes parallel activities of pro-Egyptian elements in the Sudan.

The parliamentary elections to be held from 27 February to 8 March appear to promise the return of the present pro-Western coalition with Khalil remaining in control, but a slight shift in favor of opposition elements could result in a weaker coalition more susceptible to bloc approaches.

Sino-Soviet Bloc Approaches

Since attaining independence on 1 January 1956, the Sudan has exchanged diplomatic recognition with all the bloc countries except East Germany and Communist China. It rebuffed East German approaches, in line with Arab League policy, but leftist and pro-Egyptian elements have maintained constant pressure for recognition of the Peiping regime.

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The USSR has accelerated cultural contacts at all levels since it established diplomatic relations in March 1956. Sudanese students have been a

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special target of bloc offers, and more than 40 are receiving expense-paid educations in bloc countries. Approximately 60 Sudanese youths attended the World Federation of Democratic Youth (WFDY) festival in Moscow in the summer of 1957.

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Communist China's cultural efforts have been limited to sending an entertainment and artistic group in the spring of 1956 and founding a Sudanese-Chinese friendship society in Khartoum in January 1957. Trade discussions have had little effective results, the latest ending with an innocuous communique on 9 January.

Local Communist Movement

The immediate goal of the Communists in the Sudan is to establish a common front with any elements in opposition to the present government coalition in an effort to weaken or defeat it. The Communists intend to fight against Khalil's announced plan to strengthen constitutional restrictions on subversive activities. They are also campaigning for increased trade with the bloc, labor union cooperation with the Egyptian-dominated Arab Confederation of Labor Unions linked with the WFTU, and a general adoption of the "positive-neutralist" line of Egypt.

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isolation, have been taken since November 1957.

The Outlook

The effectiveness of Sino-Soviet bloc and internal Communist offensives in the Sudan in the near future will be determined by the outcome of the parliamentary elections, the sale of Sudanese cotton, and the course of Egyptian foreign policy. At present, any indication by the Sudanese that they would reconsider bloc assistance apparently would be met by a reaffirmation of Soviet willingness to extend economic aid.

The retention of authority by Premier Khalil, which now appears the probable outcome of the elections, may not be sufficient in itself to maintain the Sudan's present pro-Western orientation. Only a striking victory of pro-Western candidates would ensure a maximum effort by the government to resist all Communist efforts at subversion. The more likely partial victory may result in only half measures to control internal subversion and a continuation of pressures favoring the bloc. If the Sudanese one-crop economy is faced with a poor cotton market and does not receive compensating assistance from Western sources, Communist pressures would probably become irresistible.

While Prime Minister Khalil has been cool to most Sino-Soviet approaches, the impact of propaganda activities combined with indecisiveness among members of the cabinet have made the government generally ineffective in combating the publicity accompanying these approaches. Now relieved somewhat of the concern over the economic situation and confident of winning the parliamentary elections, Khalil says he intends to crack down on subversive activities and counter neutralist and pro-Soviet pressures. Current negotiations for American aid are apparently expected to bolster this new initiative, and several steps, such as rejection of the Soviet economic offer, the protest to the Soviet ambassador, and the planning of antisubversive leg-

In addition, any marked change in Egyptian foreign policy would probably have a significant effect on the course followed by the Sudan. Egyptian success in "positive neutralism" will continue to encourage those Sudanese desiring a closer alignment with the bloc, while a decided shift by Egypt toward either East or West would probably be followed by a similar shift in the Sudan.

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THE SPANISH OPPOSITION

Elements of the thus far ineffectual and divided opposition to the Franco regime in Spain have recently undertaken to unite all non-Communist opponents of Franco into a national resistance front prepared to organize a successor government. A wide range of political opponents, including Socialists and Christian Democrats, are reported agreed on restoration of the monarchy if continuing adverse economic conditions should lead influential military, business, and church supporters of the regime to abandon Franco.

No immediate threat to the stability of the Franco regime is yet discernible in the mild ferment developing among all foes of the status quo. Organized political opposition is not permitted, and even the most optimistic estimates of the number of active opponents within Spain run to only a few thousand for any of the politically oriented groups outside Franco's Falange. It is nevertheless noteworthy that some steps have been taken to bring together in support of a provisional restoration of the monarchy many disparate parties ranging from the Socialists to the Monarchists and including dissident Falangists, Christian Democrats, and Functionalists.

Falange Dissidents

The extent and organization of the opposition to Franco which has emerged within Spain's only legal political organization, the Falange, is still unclear. Former Labor Minister Jose Giron is reported to have assumed leadership of certain left-wing dissidents who accuse Franco of increasing conservatism. Sporadic distribution of "revolutionary action" leaflets in mid-1957 and a brief demonstration in Madrid on 29 October are attributed to Giron's

supporters. Disturbances reportedly planned for late 1957 did not materialize, however; Giron may have pressed a more moderate position to advance his efforts at collaboration with more conservative opposition groups.

Giron's followers have the benefit of organizational experience and more extensive contact with the populace than other opposition groups. If the economic situation continues to deteriorate, he is likely to win large numbers of new adherents among dissident Falangists.

Socialists

Dionisio Ridruejo, a prominent writer who has broken with the Falange, is trying to unite Socialists and dissident Falangists in a social democratic group called the Socialist Party of Democratic Action (PSAD).



GIRON

Ridruejo has considerable intellectual and organizational capabilities and is popular. His willingness to accept restoration of the monarchy is rejected, however, by the Barcelona PSAD and also by the traditional Socialist party (PSOE), which was a major force in the 1931-39 republic.

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agreed to back Don Juan de Borbon, son of the late Alfonso XIII. The monarchists' political views range from reactionary authoritarianism to parliamentary liberalism.

Active liberal monarchists are few in number, but they have



LLOPIS

Functionalists

The impetus for the move to unite the opposition in support of a monarchy may have developed from Ridruejo's ties with the Association for the Functional Unity of Europe, organized in 1955 by Enrique Tierno Galvan, a professor of political law at the University of Salamanca. The Functionalists have the ostensible purpose of promoting European unity, but their real program is the replacement of Franco by a constitutional monarchy. Their members are, for the most part, young diplomats, intellectuals, and students, and they have apparently made no effort to develop a mass base.

Ridruejo reportedly joined the Functionalists in the spring of 1956, and he may have succeeded in attracting many of Tierno Galvan's liberal followers into his own Socialist party.

Monarchists

A century-old split in monarchist ranks was apparently healed recently when leaders of the Carlist faction reportedly

useful contacts in upper social strata and in some church and military circles. Their promise of a liberal, constitutional monarchy has been effective in winning other opposition groups to the idea of at least a temporary restoration.

The authoritarian monarchists have been less active in the opposition since February 1957 when members of Opus Dei, the Catholic lay organization with similar views, joined the Franco cabinet.

Christian Democrats

Two Christian Democratic groups parallel the division among the monarchists. The Spanish Confederation of Independent Rightists (CEDA) is led by Jose Rodriguez Soler and represents essentially conservative landowning interests. Under the still influential Jose Maria Gil Robles, it opposed the economic and social reforms of 1931-33 and it remains

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skeptical of the applicability of Western parliamentary democracy to Spain. It apparently fears, however, that the ending of the Franco regime would leave landowning groups without institutional representation and thus has adopted the loose term "Christian Democratic" to describe itself in an evident attempt to find fields of common agreement with the other opposition forces.

The other main Christian Democratic group, the recently organized Christian Democratic Union (UDC), is led by Manuel Gimenez Fernandez, minister of agriculture during the 1931-39 republic and now a law professor at the University of Seville. The UDC members are a young intellectual group oriented toward the Christian Democratic parties of the other Western European countries. The UDC apparently is having difficulty in bringing under its direction several semiautonomous liberal Christian Democratic groups. Gimenez has probably impeded these efforts by instructing UDC members to recognize the reactionary Gil Robles as overall leader of the Christian Democrats. In his eagerness to speed collaboration with other opposition groups, Gimenez has conferred with Spanish Communists and recommended their inclusion in the post-Franco provisional cabinet.

Communists

The Spanish Communist party (PCE) has retained a skeletal apparatus and perhaps 5,000-10,000 members in Spain since the civil war. PCE Secretary General Dolores Ibaruri, who is referred to by the few party dissidents as a "Stalinist," continues to have Moscow's political and, presumably, financial backing, and her leadership appears secure for the present. Her age and unpopularity, however, may bring about her replacement should

the PCE ever be allowed to operate legally within Spain.

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Other Groups

The exiled anarchist National Confederation of Labor (CNT) was a powerful force before the civil war and probably still has a considerable number of supporters within Spain, although only 9,000 of its estimated 21,000 members are in the country. Recent CNT publications stress the theme "neither Franco nor king."

Many other exile groups, including Basque and Catalan

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separatists and the Republican government-in-exile in Paris, do not appear to be playing particularly active or important roles in the present efforts toward a united opposition. Basque and Catalan na-

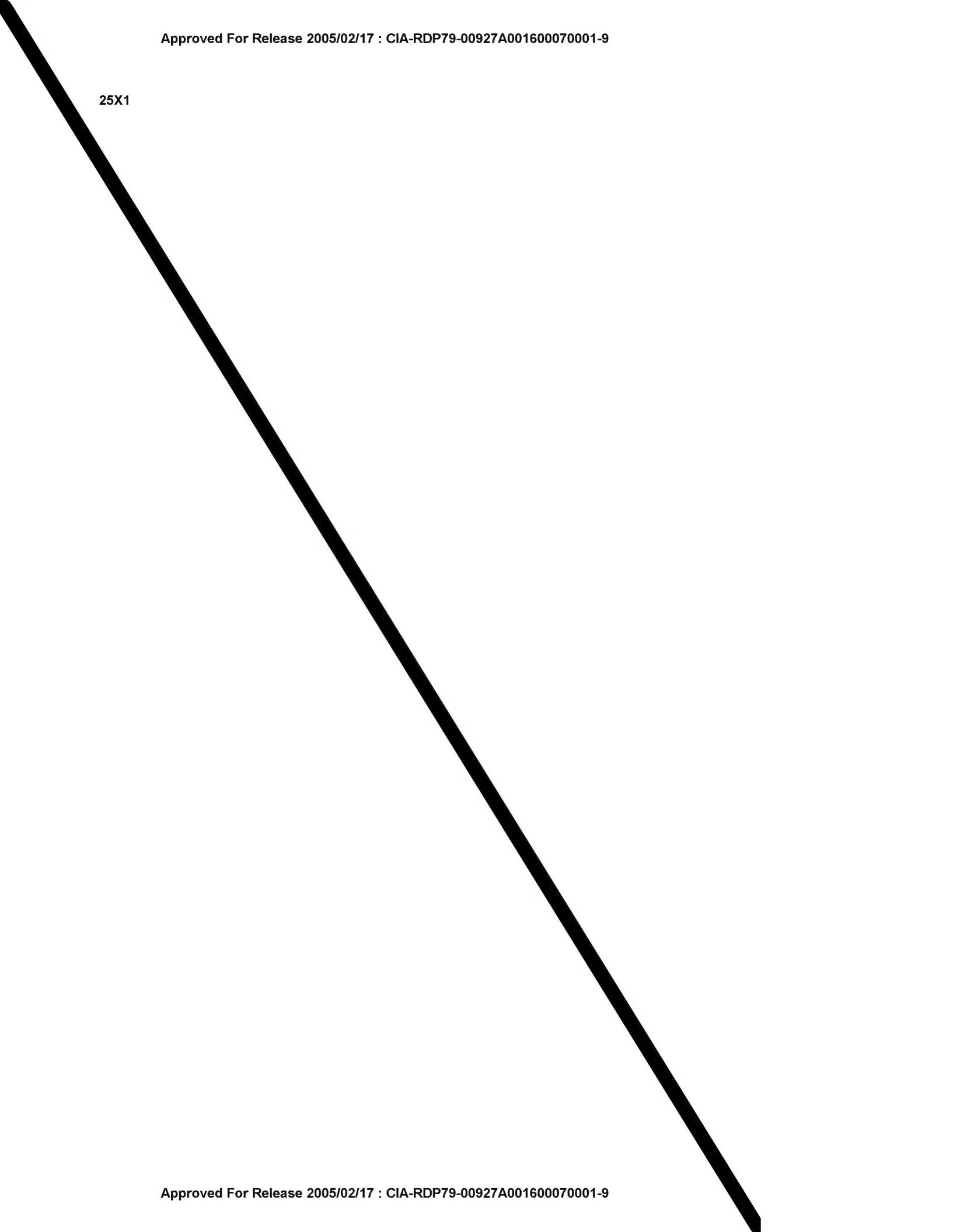
tionalism contributes to anti-Franco sentiment, but within Spain it is apparently no longer expressed by organized groups as it was before the civil war.

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